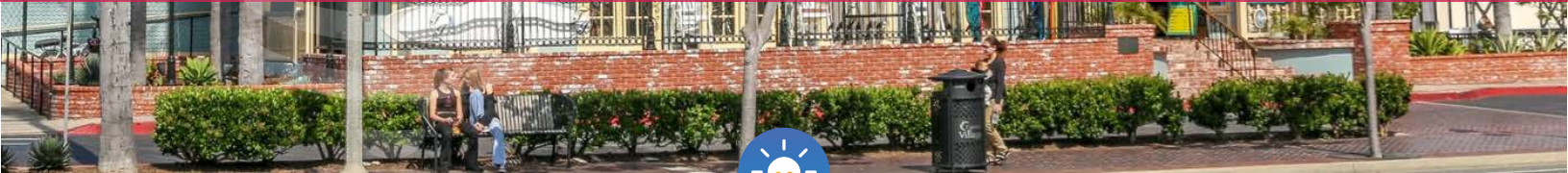




# Municipal Service Review

CITY OF CARLSBAD &  
CARLSBAD MUNICIPAL  
WATER DISTRICT

PROSPECTUS | APRIL 2026



## General Themes and Conclusions

The City of Carlsbad serves as a well-established coastal community within the northern portion of San Diego County, with an estimated population of 116,428 in 2023, making it the fifth-largest municipality in the county. The City of Carlsbad functions as a comprehensive full-service jurisdiction, providing core municipal services directly to residents while also supporting a broader network of regional and special districts. The Carlsbad Municipal Water District (CMWD) operates as a subsidiary entity, providing potable and recycled water services to approximately 82% of Carlsbad's residents, with its operations fully integrated into the City's governance framework while maintaining independent legal and fiscal authority. The physical and built environment of Carlsbad reflects a mature suburban-to-coastal layout. Older neighborhoods feature smaller single-family and multi-family lots concentrated near the coastline and along established commercial corridors. Densities transition inland toward larger single-family homes in mid- and late-20th century subdivisions. The City's geography is defined by the Pacific Ocean to

the west, limited buildable land to the east, and adjacent incorporated jurisdictions that constrain outward expansion, creating a long-term shift toward infill development and optimized service delivery. Carlsbad's municipal boundary spans 39 square miles, encompassing residential, commercial, and recreational uses alongside significant public infrastructure and open space. Carlsbad has transitioned from a period of rapid expansion and annexation in the late 20th century to a more deliberate, stewardship-focused phase. Population growth has slowed to under 1% annually since 2010, with housing production continuing at a moderate pace. Median household income remains high at \$129,269, and average home values rose 62% during the review period, reflecting strong market conditions. The City's workforce of 807 full-time positions supports a broad spectrum of services, with public safety, parks and recreation, wastewater, and community development among the most prominent. Fiscal management is strong, with General Fund reserves covering eight months of expenses and low overall debt.

## » General Themes and Conclusions

CMWD provides high-quality potable and recycled water services with a system that maintains substantial excess capacity, enabling reliable service and accommodating future growth. Its enterprise funds are financially self-sustaining, with reserves covering more than seven months of operating expenses and rates consistently below regional averages. The District benefits from coordinated governance through the City Council, while retaining its identity as a separate legal entity with independent taxing authority. Together, Carlsbad and CMWD illustrate a community and utility system that are operationally stable, fiscally responsible, and strategically positioned to address future service, infrastructure, and housing challenges. While modest growth and evolving

development conditions present ongoing considerations, the City and District maintain a solid foundation of governance, service quality, and financial strength, supporting sustainable and effective service delivery across the community. A review of the Carlsbad region relative to San Diego LAFCO's growth management tasks and municipal service review standards produces five central themes or conclusions. These conclusions collectively address core policy considerations, operational trends, and growth and development factors present within the community. They also examine potential sphere of influence considerations for the City of Carlsbad and CMWD. The conclusions are independently drawn and sourced from information collected and analyzed by the Commission between 2019 and 2023, with limited exceptions, and are detailed within each agency profile provided in the full MSR.

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The Carlsbad Skatepark, which opened in 1976, was one of the first two skateparks in the world.

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### No. 1 Transitioning to Stewardship: Managing Growth and Resources in Carlsbad

Carlsbad is a maturing, financially steady coastal city that has shifted from rapid expansion to stewardship, focusing on refining services and managing existing resources. With largely stable boundaries, the City is approaching build-out under current zoning and emphasizes infill development. Population growth has slowed to under 1% annually since 2010, reflecting the long-term effects of a voter-approved 1986 growth management program. Housing production now favors infill and redevelopment within largely built-out conditions. Development patterns are influenced by land availability, infrastructure capacity, and regulatory frameworks.

### No. 2 Strong Governance, Adaptive Services, and Sustainable Management in Carlsbad

Carlsbad benefits from a strong governance framework that emphasizes transparency, coordination, and long-term planning, supported by active boards, updated service plans, and organizational continuity. The City delivers high-performing, adaptable services across all major functions, responding to changing needs through fire service expansions, library and recreation adjustments, and community developments. As the City approaches build-out, the focus shifts from growth to sustaining quality services, with key challenges including aging wastewater infrastructure, ongoing fire staffing needs, adapting parks and cultural services to demographic changes, and maintaining effective service delivery amid evolving market conditions and regulatory frameworks.



### No. 3 Financial Strength and Emerging Fiscal Challenges in Carlsbad

Carlsbad's financial position is exceptionally strong, with consistent operating surpluses, substantial growth in General Fund reserves, and low debt levels well below standard thresholds. This fiscal strength reflects prudent management and has allowed the City to maintain services through economic disruptions. At the same time, emerging trends highlight potential long-term pressures: General Fund expenditures are growing faster than revenues - driven largely by rising public safety costs - and pension obligations are increasing, with funded ratios approaching cautionary levels. These dynamics suggest that while Carlsbad is financially secure today, careful planning will be needed to sustain this stability into the future.

## No. 4 Bottom Line

This review confirms Carlsbad is well-positioned to continue providing reliable, high-quality municipal services within its jurisdiction through the foreseeable planning horizon.

## No. 5 LAFCO Interests Going Forward

Looking ahead, boundary and governance considerations merit Commission attention. Areas along the State Route 78 corridor reflect service and maintenance inconsistencies between Carlsbad and adjacent jurisdictions, suggesting the value of focused study areas. Additionally, the presence of McClellan-Palomar Airport - owned and operated by the County but located within City boundaries - presents an ongoing governance and service alignment consideration, particularly with respect to public safety and community impacts.



## Recommendations

The following recommendations identify priority actions and policy directed to the City of Carlsbad, LAFCO, and/or other affected agencies. Recommendations calling for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.

1. Consistent with its legislative directive to promote orderly development, the Commission should continue to prioritize urban growth within Carlsbad - including development that might otherwise occur in adjacent unincorporated areas - recognizing the City's established and appropriate role as a full-service urban center. This growth-direction principle should be paired with deference to the City's General Plan where municipal policies advance regional efficiency and compact urban form.
2. While statute encourages the Commission to evaluate private and mutual water companies as part of its municipal service review program, the Commission should defer this topic to a future, county-wide informational report. A dedicated analysis would allow for a comprehensive understanding of private system performance and regulation rather than piecemeal consideration within individual regional reviews.
3. Carlsbad maintains a unique governance relationship and oversight of Carlsbad Municipal Water District (CMWD) - a separate legal entity with its own taxing authority that is responsible for providing potable water and recycled water services to about 82% of Carlsbad. Carlsbad should consider opportunities to further enhance CMWD's separate and important status as the potable and recycled water provider in public-facing materials - including the City's website agendas and budget documents.
4. Given the overlapping service boundaries among Carlsbad, CMWD, Leucadia Wastewater District, Olivenhain Municipal Water District, Vallecitos Water District (outside the scope of this regional review), and Encina Wastewater Authority, the Commission should encourage periodic coordination meetings to advance shared-service objectives. Discussion should include opportunities for operational integration and potential functional or structural consolidation across water, wastewater, and recycled-water services consistent with Commission policy and the long-term interests of ratepayers in reliable, cost-effective service delivery.
5. The McClellan-Palomar Airport, owned and operated by the County of San Diego yet fully surrounded by Carlsbad, generates measurable impacts on local traffic, noise, water utility, and public-safety services without direct City control. LAFCO should evaluate service and governance conditions at the airport in advance of the next review cycle, including consideration of jurisdictional transfer, service agreement, or other mechanisms to better align decision-making authority with impact responsibility.

## » Carlsbad Municipal Water District

6. Jurisdictional boundaries along the State Route 78 corridor are misaligned with built roadway conditions and service responsibilities, resulting in fragmented maintenance and emergency-response accountability. Beyond service delivery concerns, this situation also raises basic governance considerations, as certain parcels fall within one jurisdiction despite being functionally accessed or served through another. LAFCO should initiate or facilitate a technical boundary review with Carlsbad and Oceanside to reconcile illogical and inefficient jurisdictional lines with functional service delivery as appropriate.
7. LAFCO should proceed with a limited sphere of influence update for Carlsbad to reaffirm existing designations and establish one or more special study areas.
  - a. One special study area has been identified to date along the State Route 78 corridor. This designation would support Recommendation 4.2.6 by enabling a focused technical review of potential boundary refinements between Carlsbad and Oceanside to better reflect built conditions and service realities.

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## Carlsbad Municipal Water District Themes and Conclusions

A review of the Carlsbad Municipal Water District relative to LAFCO's service review framework produces eight central themes and conclusions based on the 2019–2023 reporting period.

### No. 1 Organizational Evolution & Governance

CMWD has transitioned from an independent special district to a fully integrated component of Carlsbad's municipal structure. The 1990 reorganization resolved prior jurisdictional conflicts and established a unified governance model that supports efficient operations, coordinated management of potable and recycled water services, and alignment under the City Council. While governance is effective, opportunities remain to improve public awareness of CMWD's distinct legal and financial authority.

### No. 2 Operational Stability & Capacity

The District demonstrates consistent operational performance, with financial stability, minimal volatility in demand, and modern infrastructure. Substantial excess capacity across its water supply, transmission, and storage systems positions CMWD to meet future growth without major expansion. Overall, it remains a resilient and well-managed organization, though some softening in financial margins has been observed.

### No. 3 Customer Value and Strategic Considerations

CMWD provides strong ratepayer value, maintaining water rates below regional averages while absorbing rising wholesale costs. Looking ahead, the District will need to sustain competitive rates, monitor narrowing operating margins, and enhance transparency regarding its independent governance and financial structure.



### Carlsbad Flower Fields

## Recommendations

The following recommendations identify priority actions and policy directions directed to the CMWD, LAFCO, and/or other affected agencies. Recommendations calling for LAFCO action are dependent on a subsequent directive from the Commission and through the annually adopted work plan.



**Carlsbad  
Village**

1. Carlsbad MWD should consider additional opportunities to enhance public-facing communications - including website content, meeting agendas, and budget documents - to more clearly distinguish the District's separate legal status, taxing authority, and its role as the primary provider of potable and recycled water serving most of Carlsbad.
2. LAFCO should proceed with its tentative study schedule commitment to prepare a comprehensive countywide municipal service review on recycled water. This review should include, among other features, a detailed examination of current and future demands within CMWD's jurisdictional boundary. It would also be beneficial to assess service boundary rationalization among recycled water providers in the Carlsbad-Encinitas region, including CMWD and Leucadia, to help ensure efficient service delivery and collaboration.
3. At an appropriate future juncture, LAFCO and Carlsbad MWD should evaluate the potential benefits of utilizing the District's existing latent authority under the Municipal Water District Act to provide wastewater services. This assessment could identify opportunities for governance efficiencies and improved coordination among services that may ultimately benefit Carlsbad ratepayers.
4. The analysis covered in this municipal service review supports LAFCO in proceeding with a limited update to the sphere of influence, which would reaffirm Carlsbad MWD's existing designation. However, as a telegraph to potential changes in the future, it is recommended LAFCO create one or more special study areas mirroring designations being concurrently recommended for the City of Carlsbad. This approach includes capturing boundary deviations that have developed between the District and the City of Oceanside concerning their respective potable water and recycled water functions along State Route 78.



## About Us

Local Agency Formation Commissions – or LAFCOs – are boundary makers that oversee the creation and expansion of cities and special districts in all 58 counties of California. LAFCOs exercise regulatory and planning powers to coordinate publicly provided services, such as water or fire protection, and match them with community needs. **The goal of every LAFCO is to facilitate smart growth while avoiding urban sprawl.**

San Diego LAFCO operates within the second largest county in California as measured by population and currently tasked with overseeing over 100 local governmental agencies.

## San Diego LAFCO’s Commission

San Diego LAFCO is governed by a 13-member "Commission" comprising county, city, special district, and public members. All Commissioners are appointed elected officials with the exception of the two public members. Commissioners serve four-year terms and divided between "regulars" and "alternates" and must exercise their independent judgment on behalf of the interests of residents, landowners, and the public as a whole. Commissioners are subject to standard disclosure requirements and must file annual statements of economic interests. The Commission has sole authority in administering its legislative responsibilities and decisions therein are not subject to an outside appeal process.



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